Shipper Concerns on Near Coastal Trade

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Will shippers use short sea shipping services?

Who is a "shipper"?

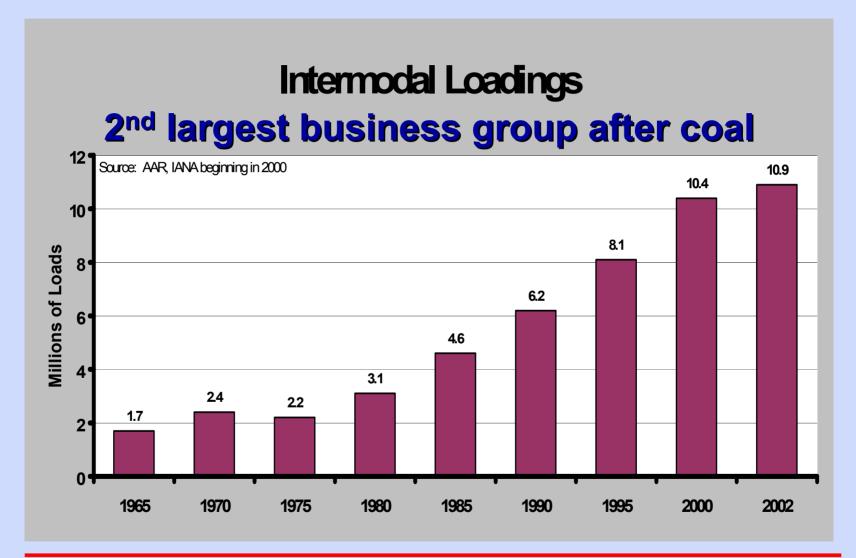
What is the applicable transport model?

Rail intermodal ("RI") service is the most instructive transport model to assess what users will expect of near coastal shipping services

The structure of RI and SSS is the same; it's intermodal

RI provides alternative linehaul for users

RI price, service and reliability are the indicators of what SSS operators must match or exceed to compete for intermodal traffic



Bulk cargo makes up 69% of rail carload traffic, but only 4% of Intermodal traffic

Intermodal commodities include:

Apparel

Auto parts

Furniture

Durable Goods

Beverages

Chemicals

Printing and Publishing

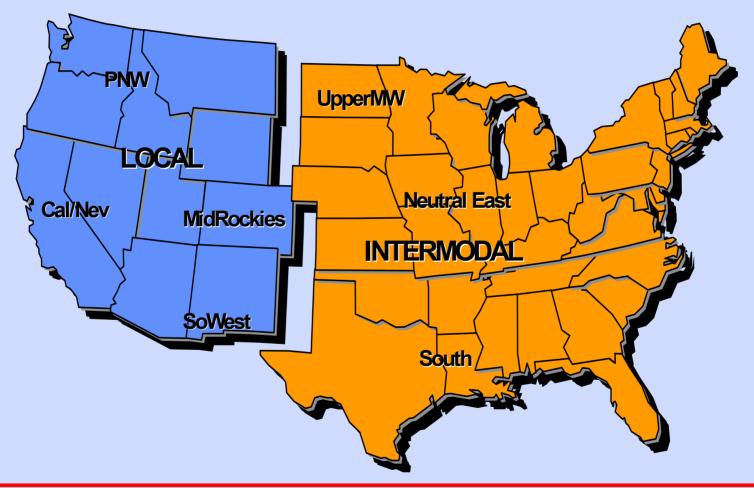
Parcels

RI uses the line-haul economics of railroads to keep costs low

RI uses trucking services provided by intermodal motor carriers and independent owner-operators to maintain high-quality, efficient service at origin and destination

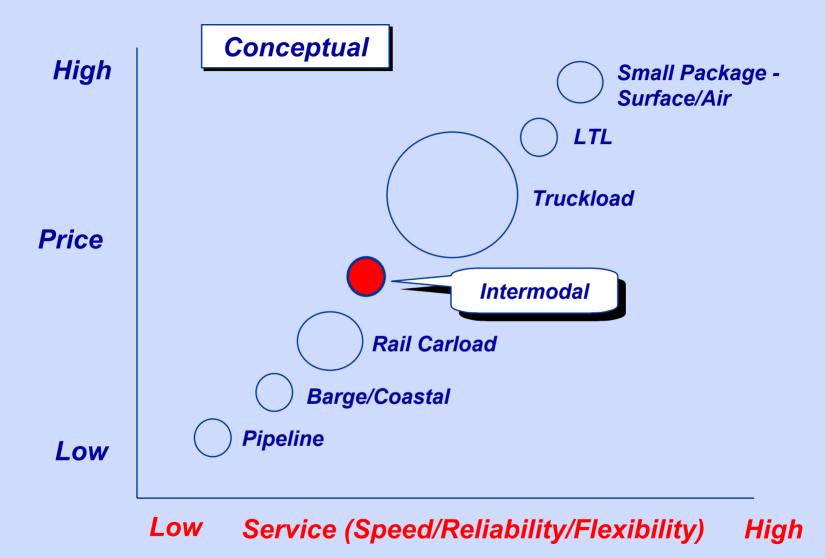


Intermodal is a long haul business



Intermodal in the Transportation Menu

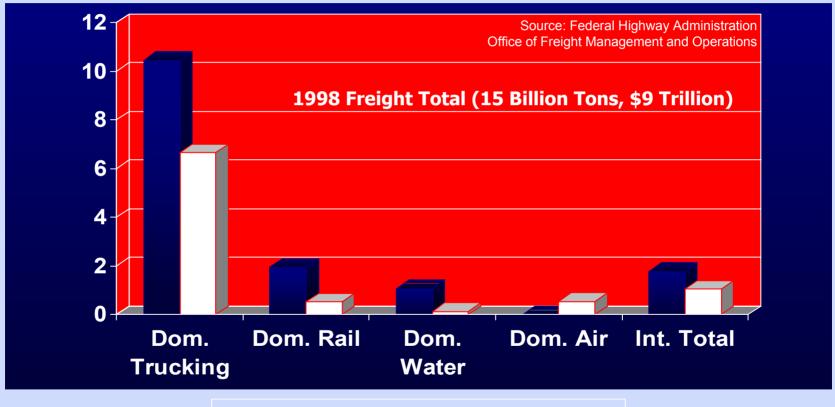
- occupies gap between rail carload service and long-haul trucking
- *a long-haul mode with moderate speed and reliability
- competitive alternatives to long-haul rail carload and motor carrier services
- best suited for intermediate products, inventory replenishment, and business-tobusiness shipments
- Terminal location and performance are critical on both ends of the move



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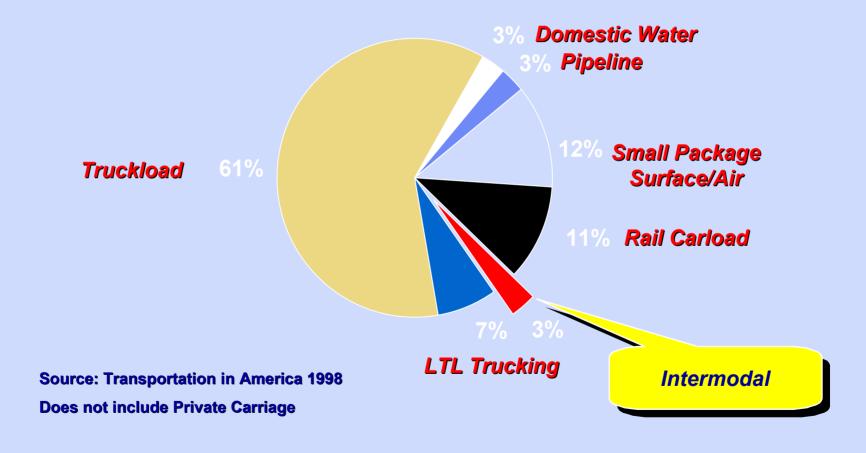
Turning the Sea into a BridgeTM

Trucking dominates freight movements within the U.S.

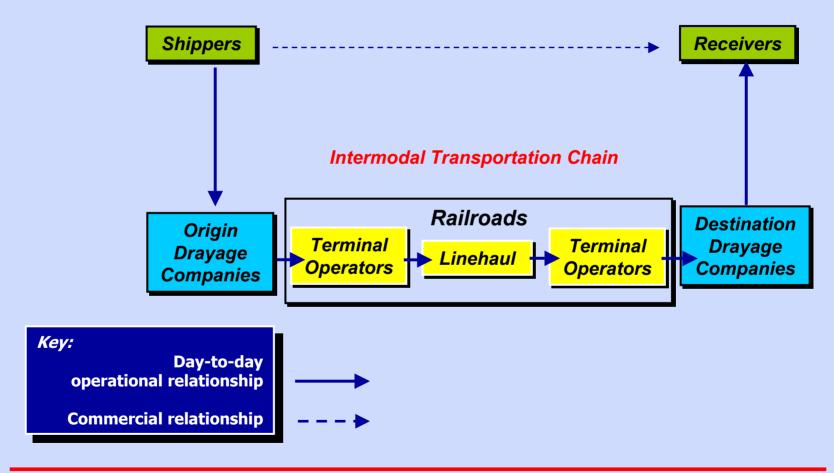


■ Tons (Billions) □ Value (Trillions)

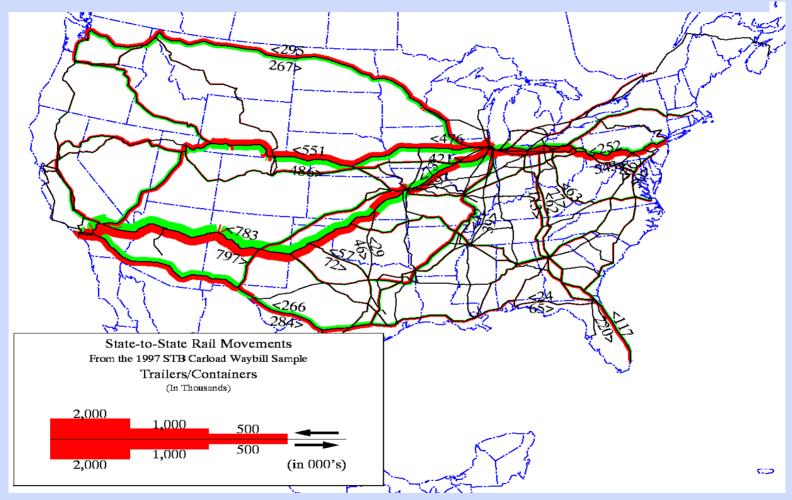
Total Freight Bill (1997) - \$328 Billion



Intermodal Transportation Activity Chain



Intermodal has an East-West Bias



Intermodal Marketing

Motor carriers providing their own equipment, e.g, UPS, Hunt, Schneider, Yellow, and may or may not provide their own local trucking

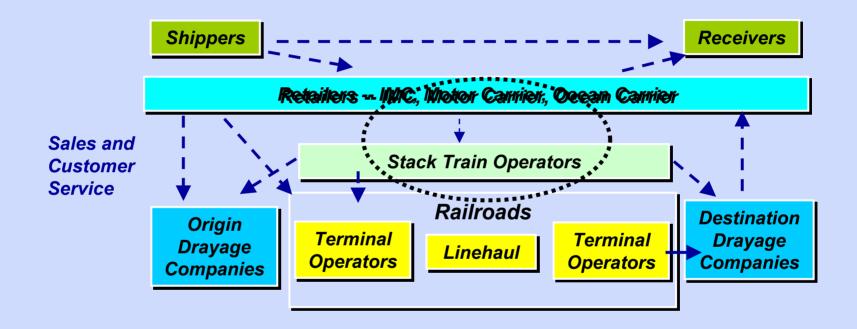
Intermodal Marketing Companies ("IMC'S") provide a sales force to fill rail controlled trailers & containers

IMC's hire specialized local motor carriers to provide door to door service

Intermodal Marketing

Railroad subsidiary provides door-to-door, motor carrier-like service, e.g. Triple Crown Service using rail-owned RoadRailers

Some railroads are experimenting with direct sales to shippers using web based systems



Intermodal Marketing Chain--Middlemen



Intermodal "Retailers"

Shippers who use RI typically use a "retailer" to arrange complex equipment supply, origin and destination drayage, and rail service combinations

"Retailers" include freight forwarders, shipper's agents, shipping associations, and brokers of various kinds, and may also include truckload motor carriers

The domestic intermodal retail business in the US is currently dominated by IMC's which combine the functions of many previous firms under one roof

Major IMC's include Alliance Shippers, C.H. Robinson, Hub Group, Mark VII, Matson Intermodal, Rail-Van, Riss Intermodal, and GST

Intermodal Marketing Companies

- Handle about 40% of the intermodal traffic, including most of the domestic traffic
- Manage the "package" of equipment supply, rail service, and drayage for their customers
- Some have taken charge of equipment supply and manage their own fleets
- Increasingly provide truck brokerage for over-the-road loads
- The largest now also offer logistics services

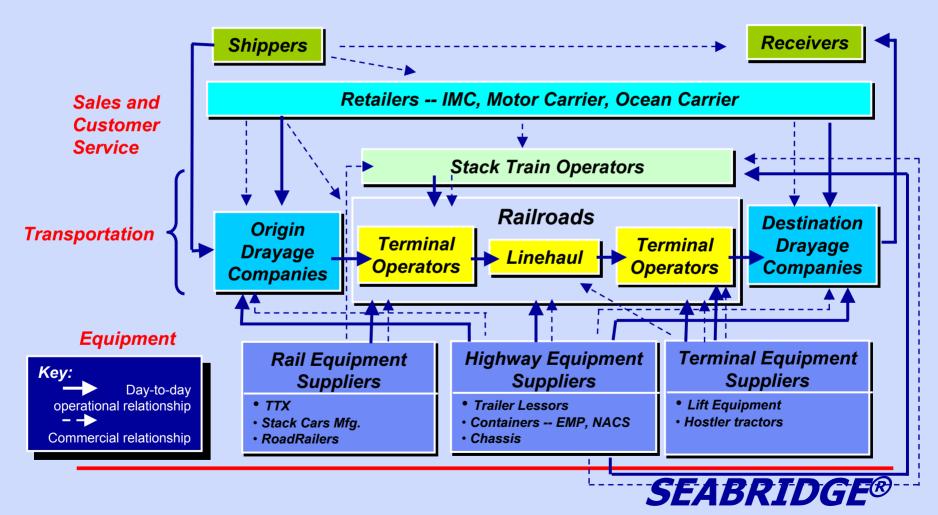
Motor Carriers

LT‡L Parcel **Specialized** /Maili J.B. Hunt Small Tank Yellow **Embracers** • UPS Schneider **Containers** USPS Swift • ABF Werner **Backpedalers** • RPS Refrigerated **Ignorers** US Express Watkins Fedex Flatbed Airborne Haulaway Prime

Embracers incorporate RI into their own operating strategy



Who are the "Shippers"?



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Marine Transportation System Short Sea Shipping Conference – November 5, 2003



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Norfolk Southern Intermodal System Delray Avver Chicago Livemois Calumet 47th, St. Toledo Cleveland 63rd. St. Taylor North Jersey Landers Creston Dockside Rutherford Harrisburg E-Rail Pittsburgh Decatur Columbus Morrisville Ameriport Kansas City Front Cincinnati Baltimore Royal Alexandria. Louisville St. Louis Georgetown Norfolk Greensboro Major Hubs Huntsville Charlotte Memphis (Chicago Atlanta Northeast Atlanta Charleston Atlanta Dallas Ports Served Austell Savannan North Atlantic Southeast New .ake Orleans Jacksonville Miami

East Coast RI Service and Volumes

Two trains per day

Volume (2001 trailers and containers)

NE to SE 82,898

SE to NE 70,918

67% trailers

Eastern Comparative RI Service and Price

Sample rail terminal to terminal rates, 48'-53' rail provided containers

NNJ to JAX \$ 700 - \$ 800 \$.74-.85/mi

JAX to NNJ \$ 650 - \$ 730 \$.69-.77/mi

NNJ to Miami \$ 1100 - \$1400 \$.85-1.09/mi

Miami to NNJ \$ 725 - \$ 800 \$.56-.62/mi

Discount approximately 20% for customer provided equipment and up to 20% for volume

Sample services

NNJ to/from JAX 2nd AM

NNJ to/from Miami 3rd AM

THANK YOU